98TH CONGRESS
2d Session
HOUSE OF REPRESENTATIVES
REPORT
98–659

ACCELERATED COLLECTION AND DEPOSIT OF PAYMENTS TO EXECUTIVE AGENCIES

APRIL 9, 1984.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

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Mr. ROSTENKOWSKI, from the Committee on Ways and Means, submitted the following

REPORT

[To accompany H.R. 5355]

[Including the cost estimate of the Congressional Budget Office]

The Committee on Ways and Means, to whom was referred the bill (H.R. 5355) to amend title 31 of the United States Code to accelerate the collection and deposit of payments to executive agencies, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

I. PURPOSE AND SCOPE

The committee's bill amends title 31 of the United States Code to provide for accelerated collection and deposit of non-tax payments to Federal agencies and the Department of the Treasury. This procedure will eliminate unnecessary delays caused by the current "paper" process of clearing check payments through government agencies prior to the crediting of the funds to the Treasury.

II. SUMMARY AND EXPLANATION OF PROVISIONS

PRESENT LAW

Under present law, Federal agencies that are owed money (other than taxes) by the public may collect these sums in a variety of ways. A large proportion of these "non-tax receipts" are collected by the Treasury Department through accelerated mechanisms: the Treasury Federal Communications System (TFCS), "automatic account withdrawals," and lockboxes, among others. The major systems operate as follows:

The TFCS enables the Federal Government to effect immediate fund withdrawals and deposits by individual electronic transfer

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actions. As each electronic transfer costs about $10 to $15, they can generally be justified only for payments of more than $10,000.

Automatic account withdrawal allows the Treasury to collect payments on their exact due dates from individuals or businesses by directly accessing their bank accounts through the Automated Clearing House System.

A lockbox system entails selecting a rental box in a central post office, and contracting with a commercial bank to service the box. Payments are sent to the lockbox—not to the recipient agency—and are immediately processed and deposited by the bank into a government account. The paperwork accompanying such payments is then sent on to the agency by the bank.

In fiscal year 1983, the Federal Government collected $93 billion in Federal receipts (tax and non-tax) through the TFCS, and another $1 billion through lockboxes. There remains, however, approximately $55 billion in annual non-tax receipts that are collected by means other than accelerated deposits.

EXPLANATION OF PROVISION

Under the bill, the Secretary of the Treasury would be given the necessary authority to require each Federal agency to collect non-tax receipts in the specific fashion Treasury desired. For example, large, one-time or occasional payments would be made through the TFCS; smaller one-time or occasional payments would more probably be made through a lockbox serviced by a commercial bank under contract; and smaller regular, periodic payments would be made through automatic account withdrawals, under which the individual or business would agree to allow Treasury to directly withdraw payments from the individual bank account on the due date. The Treasury may also select other methods available to it, such as automated paper processing techniques, corporate-to-corporate Automated Clearing House, Point-of-Sale, and home banking. As more efficient or effective mechanisms become available, the Treasury is authorized to require their use by agencies.

The Secretary is also authorized to prescribe the time frames within which funds collected by or for Federal agencies must be deposited for credit in the Treasury's account. In addition, the bill generally reduces from 30 days to three days the statutory period for timely deposit of funds by custodian agencies. Finally, the bill gives the Secretary the necessary enforcement authority. It is anticipated that the Bureau of Government Financial Operations will exercise the authority in this legislation as the Secretary's delegee. Regulations issued by the Secretary pursuant to this legislation will require that agencies adopt collection and deposit mechanisms prescribed by the Secretary. Agencies not complying with the regulations will be assessed a charge equal to the cost to the general fund of noncompliance, as determined by the Secretary. Any such charges will be deposited into a Treasury Cash Management Improvements Fund to be used for developing and implementing cash management initiatives.

EFFECTIVE DATE

The Secretary is required to issue regulations as soon as practicable, designed to achieve full implementation of the accelerated deposit systems by October 1, 1986.

III. Cost Estimate; Vote of the Committee and Other Matters To Be Discussed Under the Rules of the House

In compliance with clause (2) (l) (2) (B) of rule XI of the Rules of the House of Representatives, the committee states that the bill was approved by voice vote.

In compliance with clause (2) (l) (3) (A) of rule XI of the Rules of the House of Representatives, the committee reports that the need for legislation to improve the management of deposit of funds with the Treasury Department has been confirmed by continuing oversight studies on Treasury cash management policies of the committee's Subcommittee on Oversight.

In compliance with clause (2) (l) (3) (D) of rule XI of the Rules of the House of Representatives, the committee states that no oversight findings or recommendations have been submitted to the committee by the Committee on Government Operations with respect to the subject matter contained in this bill.

In compliance with clause (2) (l) (4) of rule XI of the Rules of the House of Representatives, the committee estimates that enactment of the bill will not create any inflationary pressures on the national economy.

In compliance with clause (2) (l) (3) (B) of rule XI of the Rules of the House of Representatives, the committee states that the bill does not provide new budget authority or new or increased tax expeenditures.

In compliance with clauses 7(a) of rule XIII of the Rules of the House of Representatives, the committee states that it agrees with the estimate of the Conngressional Budget Office.

In compliance with clause (2) (l) (3) (C) of rule XI of the Rules of the House of Representatives, the committee states that the Congressional Budget Office has reviewed the bill as reported by the committee and has submitted the following statement.

U.S. Congress,
Congressional Budget Office,
Washington, D.C., April 9, 1984.

Hon. Dan Rostenkowski,
Chairman, Committee on Ways and Means,
U.S. House of Representatives, Washington, D.C.

Dear Mr. Chairman: The Congressional Budget Office has prepared the attached cost estimate for H.R. 5355, a bill to accelerate the collection and deposit of payments to executive agencies, as ordered reported by the Committee on Ways and Means, April 5, 1984.

Should the Committee so desire, we would be pleased to provide further details on this estimate.

Sincerely,

Rudolph G. Penner, *Director.*

CONGRESSIONAL BUDGET OFFICE—COST ESTIMATE

APRIL 9, 1984.

1. Bill number: H.R. 5355.
2. Bill title: None.
3. Bill status: As ordered reported by the House Committee on Ways and Means, April 5, 1984.
4. Bill purpose: To amend title 31 of the United States Code to accelerate the collection and deposit of payments to executive agencies.
5. Estimated cost to the Federal Government:

	Millions
Budget authority:	
Fiscal year:	
1985	0
1986	−$800
1987	−800
1988	0
1989	0
Estimated outlays:	
Fiscal year:	
1985	0
1986	−800
1987	−800
1988	0
1989	0

Basis of estimate.—This bill accelerates the deposit of federal receipts (other than taxes), such as loan repayments or other payments to the federal government. In 1983 there were about $58 billion in receipts received by the federal government that could be deposited sooner. Assuming that under this bill collections are deposited seven days earlier, a cash acceleration of $1.1 billion could be achieved. This is a one-time acceleration in deposits, and therefore does not result in any long-run deficit reduction, except to the extent that offsetting receipts grow over time. Thus, there may be some small out-year effect.

The proposed bill would also reduce loan delinquencies. This would occur because loans serviced by automatic account withdrawals would reduce delinquencies that result from oversight or neglect. The Grace Commission estimated that delinquencies would be reduced by 25 percent; CBO used a figure of 5 percent because most delinquent loans are long overdue. In 1983, about $10 billion in loans were considered delinquent. Five percent of this amount is $500 million. Thus the total saving from the bill would be $1.6 billion ($1.1 billion from accelerated deposits and $500 million from reduced loan delinquencies). We have shown these savings in 1986 and 1987 because of expected lags in putting the accelerated deposit systems into operation.

6. Estimated cost to State and local governments: This bill is not expected to directly affect the budgets of State and local governments.
7. Estimate comparison: None.
8. Previous CBO estimate: None.

9. Estimate prepared by: Robert Lucke.
10. Estimate approved by:

C. G. NUCKOLS
(For James L. Blum,
Assistant Director for Budget Analysis).

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

TITLE 31, UNITED STATES CODE

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SUBTITLE III—FINANCIAL STATEMENT

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CHAPTER 33—DEPOSITING, KEEPING, AND PAYING MONEY

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SUBCHAPTER I—DEPOSITS AND DEPOSITARIES

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§ 3302. Custodians of money

(a) Except as provided by another law, an official or agent of the United States Government having custody or possession of public money shall keep the money safe without—

(1) lending the money;
(2) using the money;
(3) depositing the money in a bank; and
(4) exchanging the money for other amounts.

(b) Except as provided in section 3718(b) of this title, an official or agent of the Government receiving money for the Government from any source shall deposit the money in the Treasury as soon as practicable without deduction for any charge or claim.

(c)(*1*) A person having custody or possession of public money, including a disbursing official having public money not for current expenditure, shall deposit the money without delay [, but not later than the 30th day after the custodian receives the money,] in the Treasury or with a depositary designated by the Secretary of the Treasury under law. *Except as provided in paragraph (2), money required to be deposited pursuant to this subsection shall be deposited not later than the third day after the custodian receives the money.* The Secretary or a depositary receiving a deposit shall issue duplicate receipts for the money deposited. The original receipt is for the Secretary and the duplicate is for the custodian.

(*2*) *The Secretary of the Treasury may by regulation prescribe that a person having custody or possession of money required by this subsection to be deposited shall deposit such money during a period of time that is greater or lesser than the period of time specified by the second sentence of paragraph (1).*

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CHAPTER 37—CLAIMS

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SUBCHAPTER II—CLAIMS OF THE UNITED STATES GOVERNMENT

3711. Collection and compromise.
3712. Time limitations for presenting certain claims of the Government.
3713. Priority of Government claims.
3714. Keeping money due States in default.
3715. Buying real property of a debtor.
3716. Administrative offset.
3717. Interest and penalty on claims.
3718. Contracts for collection services.
3719. Reports on debt collection activities.
3720. Collection of payments.

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SUBCHAPTER II—CLAIMS OF THE UNITED STATES GOVERNMENT

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§ 3720. Collection of payments

(a) Each head of an executive agency shall, under such regulations as the Secretary of the Treasury shall prescribe, provide for the timely deposit of money by officials and agents of such agency in accordance with section 3302, and for the collection and timely deposit of sums owed to such agency by the use of such procedures as withdrawals and deposits by electronic transfer of funds, automatic withdrawals from accounts at financial institution, and a system under which financial institutions receive and deposit, on behalf of the executive agency, payments transmitted to post office lockboxes. The Secretary is authorized to collect from any agency not complying with the requirements imposed pursuant to the preceding sentence a charge in an amount the Secretary determines to be the cost to the general fund caused by such noncompliance.

(b) The head of an executive agency shall pay to the Secretary of the Treasury charges imposed pursuant to subsection (a). Payments shall be made out of amounts appropriated or otherwise made available to carry out the program to which the collections relate. The amounts of the charges paid under this subsection shall be deposited in the Cash Management Improvements Fund established by subsection (c).

(c) There is established in the Treasury of the United States a revolving fund to be known as the "Cash Management Improvements Fund". Sums in the fund shall be available without fiscal year limitation for the payment of expenses incurred in developing the methods of collection and deposit described in subsection (a) of this section and the expenses incurred in carrying out collections and deposits using such methods, including the costs of personnel services and the costs of the lease or purchase of equipment and operating facilities.

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98TH CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
2d Session } { 98–660

IMPROVED ADMINISTRATION OF SOCIAL SECURITY EARNINGS TEST

APRIL 9, 1984.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

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Mr. ROSTENKOWSKI, from the Committee on Ways and Means, submitted the following

REPORT

[To accompany H.R. 5356]

[Including the cost estimate of the Congressional Budget Office]

The Committee on Ways and Means, to whom was referred the bill (H.R. 5356) to amend title II of the Social Security Act to improve the administration of earnings test, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

I. PURPOSE AND SCOPE

The committee's bill amends Title II of the Social Security Act to provide for administrative reforms in the management of the social security earnings test that would assure a reduction of earnings-related overpayments. About 700,000 beneficiaries annually underestimate or fail to report earnings. The overpayments made in these cases must then be recouped either by obtaining refunds or by withholding subsequent benefit payments. The committee believes that the process of recouping overpayments, which is both administratively cumbersome and distressing for beneficiaries, can be significantly minimized by implementing procedures under which potential earnings-related overpayments can be avoided.

II. SUMMARY AND EXPLANATION OF PROVISIONS

The bill amends section 203(h) of the Social Security Act to require the Secretary to develop and implement procedures designed to avoid paying more than the correct amount of benefits as a result of a beneficiary's failure to file a correct report or estimate of earnings. Under the bill, such procedures may include identifying categories of beneficiaries who are likely to be paid more than the correct amount of

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benefits and requesting that such beneficiaries estimate their earnings or wages several months earlier than under present law in order to allow earlier adjustment of benefit amounts on account of excess earnings. The bill would be effective on enactment.

At present, beneficiaries who have wages or earnings are not required to file a report of earnings until the close of the calendar year. One effect of this procedure is that many beneficiaries exceed the earnings test and receive overpayments that must be recouped by the Social Security Administration. This process of recoupment not only presents additional administrative problems but is often a source of anxiety for beneficiaries.

In order to minimize these problems to the greatest extent possible, the bill directs the Secretary to implement procedures for identifying those beneficiaries most likely to receive overpayments, either because of a previous pattern of work or failure to file earnings reports, and to ascertain prior to the end of the year whether they have exceeded the earnings test for that year. By contacting these beneficiaries with part of the earnings year behind them but still in time to adjust current year benefits, a great many overpayments can be avoided. The committee believes that improved enforcement of the social security earnings test will enhance administration of the program and relieve beneficiaries of unnecessary concerns about incurring overpayments.

III. Cost Estimate; Vote of the Committee and Other Matters To Be Discussed Under the Rules of the House

In compliance with clause (2)(l)(2)(B) of rule XI of the Rules of the House of Representatives, the committee states that the bill was approved by voice vote.

In compliance with clause (2)(l)(3)(A) of rule XI of the Rules of the House of Representatives, the committee reports that the need for legislation to improve the management of the annual earnings test has been confirmed by oversight studies conducted by the committee's Subcommittee on Social Security. Reviews by the subcommittee have disclosed that the number of overpayments made could be significantly reduced by the procedures provided for in the bill.

In compliance with clause 2(l)(3)(D) of rule XI of the Rules of the House of Representatives, the committee states that no oversight findings or recommendations have been submitted to the committee by the Committee on Government Operations with respect to the subject matter contained in this bill.

In compliance with clause (2)(l)(4) of rule XI of the Rules of the House of Representatives, the committee estimates that enactment of the bill will not create any inflationary pressures on the national economy.

In compliance with clause (2)(l)(3)(B) of rule XI of the Rules of the House of Representatives, the committee states that the bill does not provide new budget authority or new or increased tax expenditures.

In compliance with clause 7(a) of rule XIII of the Rules of the House of Representatives, relative to the budget effect of the bill, the committee states that it agrees with the estimate of the Congressional Budget Office.

In compliance with clause 2(l)(3)(C) of rule XI of the Rules of the House of Representatives, the committee states that the Congressional Budget Office has reviewed the bill as reported by the committee and has submitted the following statement.

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, D.C., April 9, 1984.

Hon. DAN ROSTENKOWSKI,
Chairman, Committee on Ways and Means,
U.S. House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: The Congressional Budget Office has reviewed H.R. 5356, a bill to amend title II of the Social Security Act to improve the administration of the earnings test, as ordered reported by the House Committee on Ways and Means, April 5, 1984.

If you wish further details on this estimate, we will be pleased to provide them.

Sincerely,

RUDOLPH G. PENNER, *Director.*

CONGRESSIONAL BUDGET OFFICE—COST ESTIMATE

APRIL 9, 1984.

1. Bill number: H.R. 5356.

2. Bill title: To amend title II of the Social Security Act to improve the administration of the earnings test.

3. Bill status: As ordered reported by the House Committee on Ways and Means on April 5, 1984.

4. Bill purpose: To instruct the Social Security Administration (SSA) to initiate procedures that would avoid benefit overpayments resulting from recipients' failure to correctly estimate earnings.

5. Estimated savings to the Federal Government: The following table shows the estimated savings to the Federal Government. The estimate assumes a May 1, 1984 enactment date.

	Millions
Budget authority:	
Fiscal year:	
1984	0
1985	$1
1986	2
1987	3
1988	4
1989	5
Estimated outlays:	
Fiscal year:	
1984	0
1985	−22
1986	−15
1987	−15
1988	−15
1989	−15

Budget authority represents added interest income to the Social Security trust fund.

The savings of this bill fall within function 572.

Basis for estimate.—This bill requires SSA to develop and implement procedures that would result in the prevention of benefit overpayments to individuals earning wages above the limit set by the retirement test in Social Security. The retirement test reduces benefits by $1 for every $2 in earnings above a specified amount. In 1984, this amount is $6,960 for those aged 65 to 69, and $5,160 for those aged 62 to 64.

This estimate is based on discussions with administrators at the Social Security Administration. While the language in the bill leaves wide latitude in administering the provision, it is assumed that the intent of the bill is to guarantee implementation of an earnings enforcement plan currently being developed by SSA.

The plan would involve a special early mailing to some beneficiaries potentially affected by the retirement test and who are likely to receive overpayment. Currently, mailings go out each January. By April, affected beneficiaries report their previous year's earnings and estimate current year earnings. Benefits are reduced based on this current year's estimate when appropriate. In cases where earnings estimates were incorrect for the previous year, benefits are withheld as a means of repaying the government for overpayments.

This cost estimate assumes a special mailing is likely to be made in July or August of each year in which the earnings are actually occurring. This mailing will be targeted at those current recipients most likely to be earning excess amounts, in the hope of withholding benefits before they become overpayments on January 1 of the next year. (An overpayment is defined as occurring when the year for which the incorrect earnings estimate was made is over. Benefit payments in 1984 that exceed the amount that should have been paid in 1984 are not classified as overpayments until calendar year 1985 begins. Therefore, if one can withhold benefits based on excess earnings in 1984 rather than in 1985, one can technically avoid overpayments.)

These letters could allow benefit withholdings in October, November and December. If benefit withholdings can occur in these three months, before the start of the new calendar year, then overpayments would be technically avoided. SSA estimates that 2.3 million special letters will be sent, and approximately 100,000 to 200,000 people will have an average of three to four months worth of overpayments withheld. SSA estimates $325 million in annual overpayment avoidance. CBO estimates that 95 percent of this amount would have been recovered in the subsequent January to September period of each fiscal year. The 5 percent remaining uncollected largely results from SSA waiving repayments from recipients claiming that financial hardships would result from these collections. Savings are achieved if the collections are made before overpayments are technically classified as such when, apparently, the waiver is not applicable. The savings are estimated at $15 million per year.

In addition to the special mailing, SSA intends to add a sentence to termination letters sent out each year asking for more current earnings data. The recipients in this group are largely working survivors or dependents of retired workers. It is estimated that 20,000 to 30,000 will respond, leading to a faster recovery of 65 to 70 percent of excess payments. CBO estimates that this would save an additional $7 million in fiscal year 1985. However, these savings reduce the recovery amounts in subsequent years, negating additional savings.

6. Estimated cost to State and local governments: None.
7. Estimate comparison: None.
8. Previous CBO estimate: None.
9. Estimate prepared by: Stephen Chaikind.
10. Estimate approved by:

JAMES L. BLUM,
Assistant Director for Budget Analysis.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

SECTION 203 OF THE SOCIAL SECURITY ACT

REDUCTION OF INSURANCE BENEFITS

Maximum Benefits

SEC. 203. (a)(1) * * *

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Report of Earnings to Secretary

(h)(1)(A) * * *

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(4) The Secretary shall develop and implement procedures in accordance with this subsection to avoid paying more than the correct amount of benefits to any individual under this title as a result of such individual's failure to file a correct report or estimate of earnings or wages. Such procedures may include identifying categories of individuals who are likely to be paid more than the correct amount of benefits and requesting that they estimate their earnings or wages more frequently than other persons subject to deductions under this section on account of earnings or wages.

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